

Racial Disparities in Auto Lending: A State-by-State Reminder Why Auto Dealers Must Be Subject to the Consumer Financial Protection Bureau

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Oppose the Brownback amendment to exempt auto dealers from the CFPB.

Data from several nationwide cases against the major auto lenders settled by the National Consumer Law Center and co-counsel from 2003 to 2007 showed **widespread racial disparities, unrelated to credit risk, in the markups added by auto dealers to auto loan rates.**

As they do today, the auto dealers brokered and originated the loans ultimately assigned to auto finance companies. After the finance companies offered a rate based on credit risk, the dealers had discretion whether and how much to mark up the loan rates. **Data from millions of loans showed that auto dealers were more likely to mark up the rates of African Americans, and the markups were higher, than for white borrowers.** Statistically significant racial disparities were found **in every state with fully available race-coded data and in every region of the country when data from the other states was analyzed.** Disparities were **also found for Hispanics** on a national level,¹ but Hispanic origin was not coded on enough loans to analyze state by state. As the court in one case concluded in finding that the finance companies' practice of permitting auto dealers to impose subjective markups led to unacceptable racially disparate impacts: "What I have decided is that the plaintiffs have proved their case and that they will win in my decision."² The settlements limited the markup auto dealers could add to rates that the auto finance companies offered based on credit worthiness. These restrictions will expire by 2012.

The charts below show examples – in states where sufficient race-coded data were available – of the average state-by-state markups for comparable African-American and white car purchasers during select periods covered by the lawsuits from the late 1990s to early 2000s. The results were substantially similar for dealers who used the other finance companies and banks studied. These data may not reflect current practices because the settlements, which are expiring, limit discretionary markups.

Auto Dealer Loan Rate Markups by Race and State After Credit Risk-Based Pricing by the Auto Finance Company				
State	Lender³	Black	White	Black over white increase
Alabama	Primus (Ford)	\$965	\$616	157%
	GMAC	\$836	\$276	303%
	Honda	\$792	\$553	143%
Arkansas	Primus (Ford) ⁴	\$108	\$114	95%
	Honda	\$479	\$395	121%
California	Primus (Ford)	\$742	\$553	134%
	GMAC	\$249	\$192	130%
	Honda	\$892	\$626	142%
Colorado	GMAC	\$479	\$232	206%
Connecticut	GMAC	\$480	\$172	279%
Dist. Of	GMAC	\$857	\$255	336%

Columbia				
Delaware	GMAC	\$376	\$103	365%
Florida	Primus (Ford)	\$900	\$524	172%
	GMAC	\$632	\$269	235%
	Honda	\$1,063	\$669	159%
Georgia	GMAC	\$626	\$288	217%
Iowa	Primus (Ford)	\$1,054	\$232	454%
	GMAC	\$522	\$127	411%
	Honda	\$460	\$409	112%
Illinois	GMAC	\$405	\$156	260%
Indiana	GMAC	\$281	\$152	185%
Kansas	GMAC	\$315	\$226	139%
Kentucky	GMAC	\$298	\$158	189%
Louisiana	Primus (Ford)	\$810	\$378	214%
	GMAC	\$803	\$290	277%
	Honda	\$1,285	\$731	176%
Massachusetts	GMAC	\$610	\$286	213%
Maryland	Primus (Ford)	\$1,159	\$452	256%
	GMAC	\$838	\$329	255%
	Honda	\$1,245	\$724	172%
Minnesota	GMAC	\$212	\$145	146%
Mississippi	Primus (Ford)	\$858	\$493	174%
	GMAC	\$576	\$252	229%
	Honda	\$789	\$583	135%
Missouri	GMAC	\$429	\$233	184%
North Carolina	Primus (Ford)	\$643	\$273	236%
	GMAC	\$601	\$261	230%
	Honda	\$958	\$652	147%
Nebraska	Primus (Ford)	\$496	\$154	322%
	GMAC	\$321	\$74	434%
New Jersey	GMAC	\$488	\$203	240%
New York	GMAC	\$510	\$164	311%
Oklahoma	Primus (Ford)	\$1,005	\$734	137%
	GMAC	\$488	\$216	226%
	Honda	\$1,056	\$624	169%
Pennsylvania	GMAC	\$339	\$173	196%
South Carolina	Primus (Ford)	\$812	\$405	200%
	GMAC	\$598	\$245	244%
	Honda	\$969	\$641	151%
Tennessee	Primus (Ford)	\$1,046	\$409	256%
	GMAC	\$929	\$317	293%
	Honda	\$1,102	\$712	155%
Texas	Primus (Ford)	\$901	\$582	155%
	GMAC	\$564	\$272	207%
	Honda	\$1,272	\$860	148%
Virginia	GMAC	\$602	\$197	306%
Washington	GMAC	\$368	\$184	200%

Wisconsin	Primus (Ford)	\$1,041	\$156	667%
	GMAC	\$714	\$144	496%
	Honda	\$1,045	\$477	219%
Wyoming	GMAC	\$309	\$116	266%

Full race-coded data were not available for 35 states and therefore could not be analyzed state by state (except for some states that had sufficient GMAC loans, reflected above). The data overall, however, revealed similar disparities for every region:

Auto Dealer Loan Rate Markups by Race and Region After Credit Risk-Based Pricing by the Auto Finance Company				
State	Lender	Black	White	Black over white increase
South	Primus (Ford)	\$879	\$492	179%
	GMAC	\$679	\$265	260%
	Honda	\$1,142	\$734	156%
West	Primus (Ford)	\$744	\$550	135%
	GMAC	\$332	\$247	130%
	Honda	\$901	\$646	139%
Northeast	Primus (Ford)	\$645	\$352	183%
	GMAC	\$451	\$183	250%
	Honda	\$958	\$625	153%
Midwest	Primus (Ford)	\$784	\$234	335%
	GMAC	\$496	\$147	340%
	Honda	\$852	\$499	171%
All 50 states	Primus (Ford)	\$862	\$475	181%
	GMAC	\$656	\$245	270%
	Honda	\$963	\$626	154%

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¹ For loans assigned to American Honda Finance Corp., the average national auto dealer markup for Hispanics was \$858 and for whites it was \$667. For loans assigned to Primus, the average national Hispanic markup was \$715 and the average white markup was \$464.

² *Borlay v. Primus Automotive Financial*, M.D. Tenn., No. 02-CV-382 (Mar. 16, 2005) (at the time of trial, Primus Automotive Financial ("Primus") was, and still is, a division of Ford Motor Credit Corp.)

³ General Motor Acceptance Corp. ("GMAC"), American Honda Finance Corp ("Honda"), and Ford Motor Credit's Primus division (before and after acquisition by Ford).

⁴ Data for Primus for Arkansas were not statistically significant. In addition, constitutional usury limits in Arkansas constrained excessive markups.